

PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

Mainfreight Limited For Half Year Ended 30 September 2017

Preliminary half year report on consolidated results (including the results for the previous corresponding half year).
This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements.
The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

Income Statement for the Six Months Ended 30 September 2017

	Note	30 Sept 2017 \$000	30 Sept 2016 \$000	31 March 2017 \$000
Operating Revenue		1,225,583	1,142,437	2,333,088
Interest Income		-	-	503
Total Revenue		1,225,583	1,142,437	2,333,591
Transport Costs		(748,541)	(701,578)	(1,432,556)
Labour Expenses Excluding Share Based Payments		(266,441)	(242,085)	(476,256)
Occupancy Expenses and Rental Recharge		(35,727)	(31,790)	(65,792)
Depreciation and Amortisation Expenses		(23,115)	(21,454)	(43,492)
Other Expenses		(86,108)	(80,636)	(160,942)
Finance Costs		(3,927)	(3,790)	(7,728)
Non-cash Share Based Payment Expense		-	(55)	(55)
Profit Before Abnormal Items and Taxation for the Year		61,724	61,049	146,770
Income Tax on Profit Before Abnormal Items		(18,952)	(18,723)	(43,606)
Net Profit Before Abnormal Items for the Year		42,772	42,326	103,164
Abnormal Items	4	(906)	(679)	(2,448)
Income Tax on Abnormal Items	4	351	201	807
Abnormal Items After Taxation	4	(555)	(478)	(1,641)
Profit Before Taxation for the Year		60,818	60,370	144,322
Income Tax Expense		(18,601)	(18,522)	(42,799)
Net Profit for the Year		42,217	41,848	101,523

Earnings per share for profit attributable to the ordinary equity holders of the company are:

	Cents	Cents	Cents
Basic Earnings Per Share: Total Operations	41.92	41.79	101.10
Diluted Earnings Per Share: Total Operations	41.92	41.70	100.97

Statement of Comprehensive Income for the Six Months Ended 30 September 2017

Net Profit for the Year	42,217	41,848	101,523
Other Comprehensive Income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange Differences on Translation of Foreign Operations	(1,198)	(13,248)	(5,260)
Income Tax effect	-	-	(2,155)
Net Other comprehensive income to be reclassified to profit (loss) in subsequent periods	(1,198)	(13,248)	(7,415)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of Land including Foreign Exchange Movements	356	(780)	(789)
Income Tax effect	-	-	-
Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods	356	(780)	(789)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined Benefit Pension Provision	(29)	-	(635)
Income Tax effect	-	-	215
Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods	(29)	-	(420)
Other Comprehensive Income for the Year, Net of Tax	(871)	(14,028)	(8,624)
Total Comprehensive Income for the Year, Net of Tax	41,346	27,820	92,899

Balance Sheet as at 30 September 2017

	30 Sept 2017 \$000	30 Sept 2016 \$000	31 March 2017 \$000
Current Assets			
Bank	67,487	76,486	75,312
Trade Debtors	330,872	304,443	314,888
Income Tax Receivable	644	-	1,829
Properties Available for Sale	-	2,240	-
Other Debtors	51,170	38,732	48,008
	450,173	421,901	440,037
Non-current Assets			
Property, Plant & Equipment	586,300	556,534	570,706
Software	45,326	39,142	43,086
Goodwill	204,093	198,974	200,721
Brand Names	11,262	10,693	10,546
Other Intangible Assets	10,065	12,058	10,814
Deferred Tax Asset	8,851	7,905	8,855
	865,897	825,306	844,728
TOTAL ASSETS	\$1,316,070	\$ 1,247,207	\$ 1,284,765
Current Liabilities			
Bank	-	-	947
Trade Creditors & Accruals	280,521	258,813	261,206
Employee Entitlements	50,698	42,846	47,907
Provision for Taxation	7,569	4,275	14,121
Finance Lease Liability	1,838	1,896	1,801
	340,626	307,830	325,982
Non-current Liabilities			
Bank Term Loan	284,892	312,561	283,029
Employee Entitlements	745	715	3,800
Deferred Tax Liability	24,462	25,698	23,879
Finance Lease Liability	2,565	2,761	2,473
	312,664	341,735	313,181
Shareholders' Equity			
Share Capital	85,821	85,821	85,821
Accumulated Surplus	539,668	478,165	521,619
Revaluation Reserve	50,972	51,523	50,616
Foreign Currency Translation Reserve	(13,232)	(17,867)	(12,034)
Defined Benefit Pension Reserve	(449)	-	(420)
TOTAL EQUITY	662,780	597,642	645,602
TOTAL LIABILITIES AND EQUITY	\$1,316,070	\$ 1,247,207	\$ 1,284,765

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity for the Six Months Ended 30 September 2017

Six Months to 30 September 2017

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	TOTAL
Balance at 1 April 2017	85,821	50,616	(12,034)	(420)	521,619	645,602
Profit for the Period					42,217	42,217
Other Comprehensive Income		356	(1,198)	(29)		(871)
Total Comprehensive Income for the P	-	356	(1,198)	(29)	42,217	41,346
Transactions with Owners in Their Capacity as Owners:						
Shares Issued						-
Executive Share Scheme Costs						-
Supplementary Dividends					(824)	(824)
Dividends Paid					(24,168)	(24,168)
Foreign Investor Tax Credit					824	824
Balance at 30 September 2017	85,821	50,972	(13,232)	(449)	539,668	662,780

Six Months to 30 September 2016

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	TOTAL
Balance at 1 April 2016	73,912	52,303	(4,619)		459,477	581,073
Profit for the Period					41,848	41,848
Other Comprehensive Income		(780)	(13,248)			(14,028)
Total Comprehensive Income for the P	-	(780)	(13,248)	-	41,848	27,820
Transactions with Owners in Their Capacity as Owners:						
Shares Issued	11,854					11,854
Executive Share Scheme Costs	55					55
Supplementary Dividends					(652)	(652)
Dividends Paid					(23,160)	(23,160)
Foreign Investor Tax Credit					652	652
Balance at 30 September 2016	85,821	51,523	(17,867)	-	478,165	597,642

Twelve Months to 31 March 2017

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	TOTAL
Balance at 1 April 2016	73,912	52,303	(4,619)		459,477	581,073
Profit for the Period					101,523	101,523
Transfer of Revaluation Reserve for Land Sold		(898)			898	-
Other Comprehensive Income		(789)	(7,415)	(420)		(8,624)
Total Comprehensive Income for the P	-	(1,687)	(7,415)	(420)	102,421	92,899
Transactions with Owners in Their Capacity as Owners:						
Shares Issued	11,854					11,854
Executive Share Scheme Costs	55					55
Supplementary Dividends					(1,212)	(1,212)
Dividends Paid					(40,279)	(40,279)
Foreign Investor Tax Credit					1,212	1,212
Balance at 31 March 2017	85,821	50,616	(12,034)	(420)	521,619	645,602

Cash Flow Statement for the Six Months Ended 30 September 2017

	Note	<u>Group</u>		31 March 2017 \$000
		30 Sept 2017 \$000	30 Sept 2016 \$000	
Cash Flows From Operating Activities				
Receipts from Customers		1,389,656	1,289,127	2,307,424
Interest Received		-	-	503
Payments to Suppliers and Team Members		(1,304,324)	(1,215,332)	(2,132,227)
Interest Paid		(3,927)	(3,790)	(7,729)
Income Taxes Paid		(24,257)	(17,971)	(36,745)
NET CASH FLOWS FROM OPERATING ACTIVITIES		57,148	52,034	131,226
Cash Flows From Investing Activities				
Proceeds from Sale of Property, Plant & Equipment		1,198	2,553	5,822
Proceeds from Sale of Software		-	-	38
Repayments by Team Members		213	4	4
Purchase of Property, Plant & Equipment		(22,944)	(22,429)	(47,696)
Purchase of Software		(10,592)	(8,032)	(19,603)
Advances to Team Members		(6)	(4)	(212)
Establishment of Franchises and Subsidiaries		-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(32,131)	(27,908)	(61,647)
Cash Flows From Financing Activities				
Proceeds of Long Term Loans		-	-	-
Proceeds of Share Issues		-	11,854	11,854
Dividend Paid to Shareholders		(24,168)	(23,160)	(40,279)
Repayment of Loans		(7,730)	(25,166)	(57,131)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(31,898)	(36,472)	(85,556)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,881)	(12,346)	(15,977)
Net Foreign Exchange Differences		3	(3,904)	(2,394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		74,365	92,736	92,736
CASH AND CASH EQUIVALENTS AT END OF PERIOD		67,487	76,486	74,365
Comprised				
Bank and Short Term Deposits		67,487	76,486	75,312
Bank Overdraft		-	-	(947)
		67,487	76,486	74,365

The accompanying notes form an integral part of these financial statements.

1 Corporate Information

The preliminary half year report announcement of Mainfreight Limited ("the parent") and its subsidiaries ("the Group") for the six months ended 30 September 2017 were authorised for issue in accordance with a resolution of the Directors.

Mainfreight Limited is a company limited by shares incorporated in New Zealand whose shares are publicly traded on the NZX Main Board (New Zealand Stock Exchange).

2 Accounting Policies

Accounting policies remain consistent with the prior year ended 31 March 2017 financial statements.

3 Required NZX Disclosures

Movements in Ordinary Shares on Issue

	<u>Parent</u>		
	30 Sept 2017	30 Sept 2016	31 March 2017
	Shares	Shares	Shares
Closing Balance	100,698,548	100,698,548	100,698,548

At 30 September 2017 there were no partly paid shares outstanding (2016 nil).

Between 30 May 2016 and 29 July 2016 a total of 1,125,000 redeemable ordinary shares were fully paid by the participants at an average price of \$10.56 per share. 75,000 partly paid redeemable ordinary shares were cancelled on 29 July 2016.

Net Tangible Assets	437,360	375,917	423,521
Net Tangible Assets per Security (cps)	434.33	373.31	420.58

Dividends Paid and Proposed

	<u>Group</u>	
	30 Sept 2017	30 Sept 2016
	\$000	\$000
Recognised Amounts		
Declared and Paid During the Year to Parent Shareholders		
Final Fully Imputed Dividend for 2017: 24.0 cents (2016: 23.0 cents)	24,168	23,160
	<hr/>	<hr/>
	24,168	23,160
Unrecognised Amounts		
Interim Fully Imputed Dividend for 2018: 19.0 cents (2017: 17.0 cents)	19,133	17,119

After the balance date, the above unrecognised dividends were approved by directors' resolution dated 14 November 2017. These amounts have not been recognised as a liability as at 30 September 2017 but will be brought to account in the full year to 31 March 2018.

4 Abnormal Items

During the six months the Group had \$906,000 of abnormal expenses (September 2015 \$679,000). The related after tax expense was \$555,000 (September 2015 \$478,000).

These items comprised of:

<u>September 2017 Six Months</u>	<u>Pre-Tax</u> <u>\$000</u>	<u>Tax</u> <u>\$000</u>	<u>Group</u> <u>After Tax</u> <u>\$000</u>
American & European Redundancies	(906,000)	351,000	(555,000)
	(906,000)	351,000	(555,000)
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<u>September 2016 Six Months</u>	<u>Pre-Tax</u> <u>\$000</u>	<u>Tax</u> <u>\$000</u>	<u>Group</u> <u>After Tax</u> <u>\$000</u>
NZ, USA, Asian & European Redundancies	(679,000)	201,000	(478,000)
	(679,000)	201,000	(478,000)
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5 Segmental Reporting

The Group operates in the domestic supply chain (i.e. moving and storing freight within countries) and air and ocean freight industries (i.e. moving freight between countries). New Zealand, Australia, The Americas and Europe are each reported to management as one segment as the businesses there perform both domestic and air and ocean services.

The accounting policies of the operating segments are the same as those described in the notes in note 2 with the exception of deferred tax and the fair value of derivative financial instruments which are not reported on a monthly basis.

The segmental results from operations are disclosed below.

Geographical Segments

The following table represents revenue, margin and certain asset information regarding geographical segments for the six months ended 30 September 2017 and 30 September 2016. Inter segment transactions are entered into on a fully commercial basis.

	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2017 \$000 Group
Operating Revenue							
- sales to customers outside the group	316,867	314,319	284,037	52,611	257,749	-	1,225,583
- inter-segment sales	109	9,187	19,435	26,720	13,076	(68,527)	-
Total Revenue	<u>316,976</u>	<u>323,506</u>	<u>303,472</u>	<u>79,331</u>	<u>270,825</u>	<u>(68,527)</u>	<u>1,225,583</u>
EBITDA	38,446	22,351	11,809	2,833	13,327	-	88,766
Depreciation & Amortisation	10,223	3,542	2,814	323	6,213	-	23,115
Capital Expenditure	15,710	3,021	2,506	165	10,936	-	32,338
Trade Receivables	79,202	94,466	77,863	20,316	76,103	(17,078)	330,872
Non-current Assets	370,796	176,763	83,630	17,850	216,858	-	865,897
Total Assets	438,047	305,432	188,813	55,733	345,123	(17,078)	1,316,070
Total Liabilities	196,502	154,307	104,465	27,516	187,578	(17,078)	653,290

	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2016 \$000 Group
Operating Revenue							
- sales to customers outside the group	287,546	273,950	319,798	44,481	216,662	-	1,142,437
- inter-segment sales	550	8,003	8,167	47,443	9,316	(73,479)	-
Total Revenue	<u>288,096</u>	<u>281,953</u>	<u>327,965</u>	<u>91,924</u>	<u>225,978</u>	<u>(73,479)</u>	<u>1,142,437</u>
EBITDA	37,163	17,110	13,878	6,052	12,145	-	86,348
Depreciation & Amortisation	9,263	3,427	2,613	295	5,856	-	21,454
Capital Expenditure	16,105	3,643	3,258	163	4,739	-	27,908
Trade Receivables	80,532	82,122	82,730	18,730	60,802	(20,473)	304,443
Non-current Assets	352,877	171,955	84,091	17,984	198,399	-	825,306
Total Assets	437,129	275,763	193,025	55,097	306,666	(20,473)	1,247,207
Total Liabilities	211,279	144,386	114,891	29,078	170,404	(20,473)	649,565

Reconciliation between Segment EBITDA and the Income Statement	2017 \$000	2016 \$000
Profit from Operations Before Abnormal Items and Taxation for the Year	61,724	61,049
Interest Income	-	-
Derivative Fair Value Movement	-	-
Non-cash Share Based Payment Expense	-	55
Finance Costs	3,927	3,790
Depreciation & Amortisation	23,115	21,454
EBITDA	<u>88,766</u>	<u>86,348</u>

EBITDA is defined as earnings before net interest expense, tax, depreciation, amortisation, abnormal items, royalties, share based payment expense, minority interests and associates.

There are no customers in any segment that comprise more than 10% of that segment's revenue.

The geographical segments are determined based on the location of the Group's assets.

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant details on additional pages)

Full name of issuer: **Mainfreight Limited**

Name of officer authorised to make this notice: **Tim Williams** Authority for event, e.g. Directors' resolution: **Directors Resolution**

Contact phone number: **(09) 259 5500** Contact fax number: **(09) 270 7402** Date: **14 / 11 / 2017**

Nature of event Tick as appropriate

Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable

Rights Issue non-renounceable Capital change Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

EXISTING securities affected by this If more than one security is affected by the event, use a separate form.

Description of the class of securities: **Ordinary Shares** ISIN: **NZMFTE0001S9**
If unknown, contact NZX

Details of securities issued pursuant to this event If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities: ISIN:
If unknown, contact NZX

Number of Securities to be issued following event: Minimum Entitlement: Ratio, e.g. ① for ② for

Conversion, Maturity, Call Payable or Exercise Date: Enter N/A if not applicable

Treatment of Fractions: Tick if *pari passu* OR provide an explanation of the ranking

Strike price per security for any issue in lieu or date Strike Price available:

Monies Associated with Event Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	\$0.190	Source of Payment	Revenue
Excluded income per security (only applicable to listed PIEs)	<input type="text"/>	Supplementary dividend details - NZSX Listing Rule 7.12.7	Amount per security in dollars and cents: \$0.033529
Currency	NZ \$	Date Payable	15 December, 2017
Total monies	\$19,132,724		

Taxation Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price: \$

Resident Withholding Tax: **\$0.013194** Imputation Credits (Give details): **\$0.073889**

Foreign Withholding Tax: \$ FWP Credits (Give details):

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements - **8 December, 2017**

Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **15 December, 2017**

Notice Date Entitlement letters, call notices, conversion notices mailed:

Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:
Security Code:

